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**SPECIMEN ORGANIZATION CHARTS**  
and  
**DESCRIPTION OF METHOD OF OPERATION**  
for  
**FEDERAL LAND BANKS**

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Prepared by  
**THE FARM CREDIT ADMINISTRATION**  
**WASHINGTON, D. C.**  
May 1, 1942

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## Organization of Federal Land Banks and National Farm Loan Associations

### INTRODUCTION

As national farm loan associations have assumed more and more responsibility, it has been necessary for the Federal land banks to rearrange their organizations and procedures so as to facilitate the handling of business on the basis of the relationship which exists between the banks and national farm loan associations. For a number of years there has been a definite trend toward the type of organization wherein each Farm Credit District is divided into regions so that one responsible person can be in charge of the bank's business in each such region.

In October 1937, the Farm Credit Administration developed a set of specimen organization charts which were typical of the developments in Federal land bank organization up to that time. Since then there have been further improvements and refinements in the type of Federal land bank organization reflected in those charts, and such organization has come to be generally known as the "regional" type of organization. Despite the developments, refinements, and improvements which have been made, it is apparent that there is a need for a clearer understanding generally with respect to certain phases of the "regional" type of organization, especially with respect to how certain senior executives should function, and with respect to the manner in which other key personnel should collaborate and coordinate their efforts.

The organization charts presented herewith have been prepared in order to aid in bringing about a more complete understanding on the part of all concerned and also to serve as a guide in further development and refinement of the "regional" type of organization. It is hoped that those banks which have already adopted the "regional" type of organization will find this set of specimen charts to be of value in their personnel training programs. For the most benefit to be obtained in that direction, key personnel should be provided with the charts and given an opportunity to study them in advance of any group discussions which may be arranged for the purpose of clarifying any misunderstandings which may exist as to the proper functioning of the organization. It is hoped that any banks which have not yet completely adopted the "regional" type of organization will find these specimen charts of assistance in accomplishing such reorganization if and when it is decided to complete the work of reorganization. It is also hoped that these specimen charts will be of value to responsible personnel of the General Agent's staff and the several service divisions of the Farm Credit Administration in Washington which handle personnel, examinations, finance and accounting, research, etc. It is important that such personnel fully understand the aims and objectives of the Federal land banks from the standpoint of organization so as to be able to more fully discharge their own responsibilities.

Banks whose organizations do not conform in all respects with the specimen organization set forth herewith will not be expected to immediately give consideration to changes which would effect such conformity. However, the specimen charts do represent all up-to-date advances in organization which have been made by any bank; therefore, it is hoped that as and when opportunities are presented for improving organization and procedures in any particular bank, such changes will be made in accordance with the organization suggested herewith.

In using the specimen set of organization charts as a training and educational medium, it is suggested that the banks take steps to develop carefully prepared duties statements for all key personnel. Such duties statements should prove helpful in acquainting persons having responsible positions with their duties, authorities, and responsibilities, and in general give them a rather exact idea of what is expected of them.

In considering this set of specimen organization charts, it should be borne in mind that under the present developments, no Federal land bank can be organized entirely on a "regional" basis since it seems clear that little could be gained by dividing on a "regional" basis those responsibilities that are purely of a clerical or service nature, such as accounting, maintenance of insurance records, typing, etc. In all land banks, therefore, certain such services are being performed on a functional basis without regard to any breakdown on the basis of territory. On the other hand, it has been demonstrated that best results in connection with activities involving decisions with respect to new business, the servicing of loans, the servicing and sale of real estate, etc., can be obtained by dividing each Farm Credit District into regions with one person responsible for the disposition of such problems arising in connection with the bank's business in the region for which he is responsible. The person responsible for such region is thereby afforded an opportunity to know rather intimately the characteristics of the

region for which he is responsible and the associations serving such region. A primary objective of the "regional" type of organization has been to accomplish a minimum of operating contacts between the Federal land banks and national farm loan associations. Therefore, care must be exercised to see that such contacts be limited almost without exception to the personnel of the "regional" units. Consequently, almost all other personnel of the Federal land bank serve in a "staff" capacity with respect to the personnel of the Association Service Division. Such relationship has been kept in mind in developing these specimen charts, and the comments included herein are intended to clearly outline the relationship which should be maintained as far as all important personnel of the bank are concerned.

While the advantages of the "regional" type of organization have come to be rather generally known, as evidenced by the fact that practically every Federal land bank has adopted or is in the process of adopting such type of organization, nevertheless some of those outstanding advantages are summarized below:

1. It emphasizes the program of decentralization; it places more responsibility on the association officers and makes possible the type of contact with these officers which should give effective training to association directors, secretary-treasurers, and others in the association offices.
2. It provides more intimate contact with associations and builds up a more complete knowledge of problems on an association basis, and offers advantage of accumulated information on association affairs.
3. It eliminates lost motion and conflicting instructions which may result from multiple contacts between associations and various departments of a bank.
4. It builds confidence in the bank on the part of national farm loan associations because closer relationship is possible when dealing with one individual. More personal attention can be given to association problems by the "regional" managers because of frequent contacts.
5. It saves secretary-treasurer's time in corresponding with the bank, conferring with bank representatives, and handling individual case requests, and helps the secretary-treasurer to better organize his job.
6. It facilitates group handling in the bank of cases in collections, rentals, and real estate, thus making it possible to reduce case handling to a minimum.
7. It furnishes an effective means of training bank employees to assume larger responsibilities as the occasion arises. Regional managers with experience in handling all phases of the bank's business with associations should be in a better position to assume larger administrative responsibilities than those who have specialized in one phase of the work.
8. It relieves senior executive officers of administrative detail, thus making it possible for them to give more attention to policy problems and field studies.
9. The cost of field supervision as well as the cost of internal operations in the banks should be less than under a complete functional organization.
10. It facilitates proper and adequate coordination of the various activities within a land bank, thus increasing efficiency and improving the quality of service rendered to farmers.

It is recognized, of course, that further refinements and improvements will be made in the "regional" type of organization and that in time, because of such improvements, the charts presented herewith will become obsolete and out of date. In the meantime, it is hoped that they will be of benefit to all responsible personnel of the Federal land banks and other divisions of the Farm Credit Administration.

W. E. Rhea  
Land Bank Commissioner

### OVER-ALL ORGANIZATION

This chart is designed to show an over-all organization of a Federal land bank, although it is recognized that because conditions in the various banks differ, adaptations may be necessary. For example, the volume of real estate varies widely among banks, and while it might be advisable in one bank to have a senior executive give his whole attention to the real estate problem, in another bank with only a few farms on hand, this function might be combined with some other function for administrative purposes.

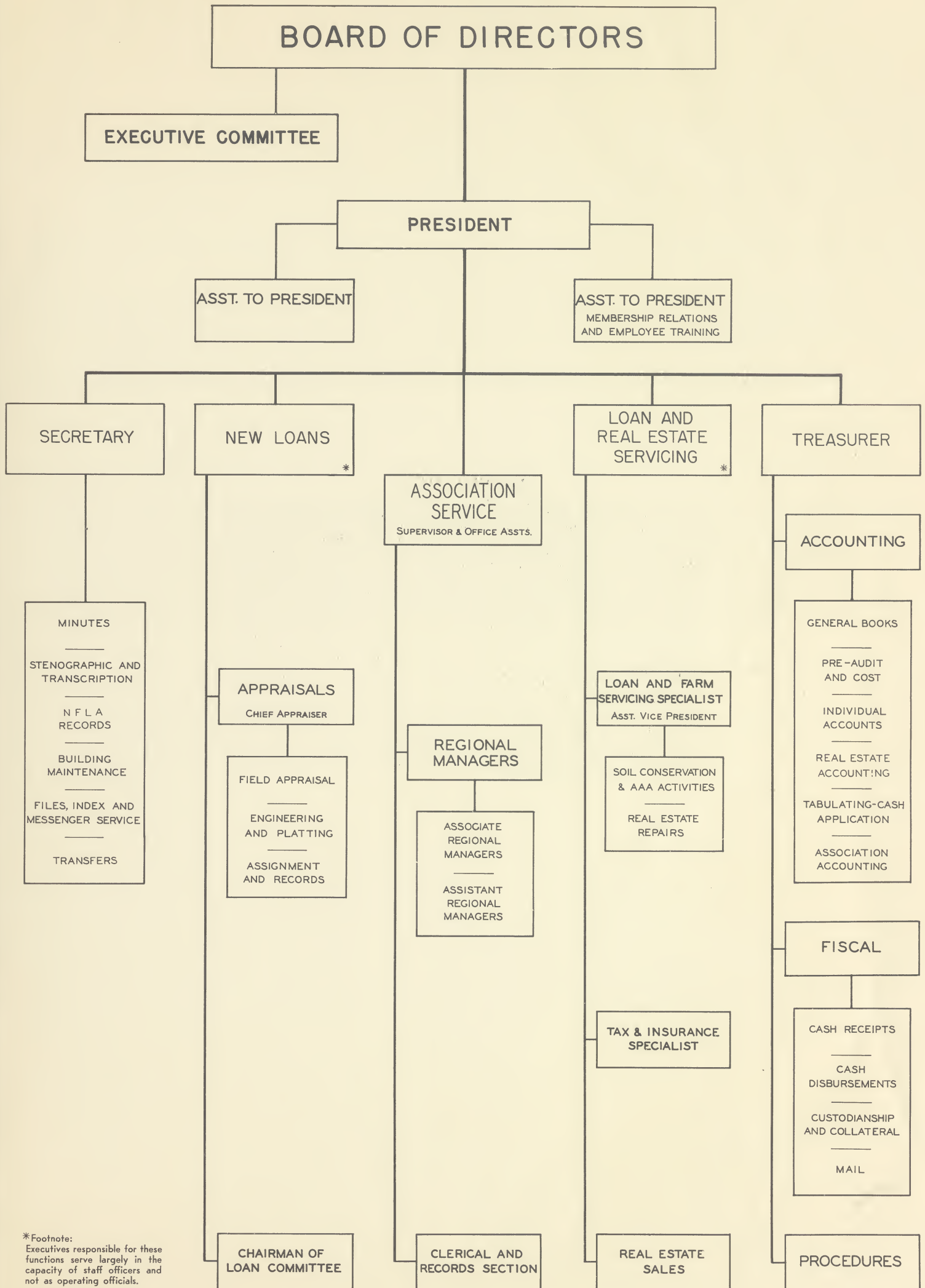
The President is the chief executive officer of the bank and is responsible to the Board of Directors. He directs the administration of the bank's business in conformity with policies fixed by the Board of Directors.

The Executive Committee consists of the President and such other officers of the bank as may be designated by the Board of Directors under whose supervision and control the committee functions. Each member may be re-

sponsible for one or more general functions, such as new business, loan and real estate servicing, real estate sales, etc. These functions are shown on the over-all organization chart although a complete designation of "departments", "divisions" or "sections" is not indicated. For example, the Treasurer as an officer of the bank is shown as being responsible for the fiscal, accounting and procedural functions which are broken down into various related operations. Likewise certain functions are assigned to the Secretary for administrative supervision and ordinarily a Vice President would be responsible for the new business function although he might also be responsible for some other function. It will be noted that "Loan and Real Estate Servicing" as a function is considered to include the handling of all credit problems in connection with servicing loans, including real estate servicing and sales. The designation of responsibility in a particular bank to carry out this general function would depend upon the extent of the problem, the real estate inventory, etc.



Chart No. 1  
OVER-ALL ORGANIZATION



\*Footnote:  
Executives responsible for these functions serve largely in the capacity of staff officers and not as operating officials.

## ADMINISTRATION

This chart reflects the administrative duties and responsibilities of the Board of Directors, the President, and the Executive Committee. The Board of Directors has full responsibility, subject only to the general supervision of the Farm Credit Administration, for the business and affairs of the bank, including its business and affairs as agent for the Land Bank Commissioner and the Federal Farm Mortgage Corporation. The President is the chief executive officer of the bank and it is primarily to him that the Board of Directors looks for proper and efficient management of the bank's affairs and for execution of the policies of the Board and the Farm Credit Administration. The Executive Committee has the responsibility of recommending to the Board of Directors policies relating to national farm loan association affairs such as organization, agreements for consolidation, designation of territories, plans for allowances and other matters affecting the organization or status of associations. The Executive Committee also has authority to make decisions with respect to individual cases such as those involving extensions, reamortizations, and other forms of loan treatment, but under the decentralization program the authority to make such decisions is delegated largely to the national farm loan associations and the regional managers. The Executive Committee reflects the bank's corporate responsibility for such actions by incorporating them in the minutes in schedule form. Matters of policy involving specific functions such as new loans, loan and real estate servicing, etc., are primarily the responsibility of the senior executive or executives in charge of such function.

Chart No. 2

ADMINISTRATION

BOARD OF DIRECTORS

Subject only to the general supervision of the Farm Credit Administration, it is the responsibility of the Board of Directors to supervise and control the business and affairs of the bank, including its business and affairs as agent for the Land Bank Commissioner and the Federal Farm Mortgage Corporation. In carrying out this responsibility it is the duty of the Board of Directors to select competent officers and employees and to assure itself that they are carrying out the duties and responsibilities entrusted to them. It is also the duty of the Board of Directors

to determine that its policies, as well as the national policies of the Farm Credit Administration, are properly administered by the management. In order properly to carry out its responsibilities the Board of Directors must of necessity assure itself that it is being currently informed regarding the conduct of the bank's affairs. The adoption of bylaws and amendments thereto are the responsibility of the Board.

PRESIDENT

The President is the chief executive officer of the bank. As such he is responsible for the general management of the business and affairs of the bank, subject to the supervision and control of the Board of Directors. In carrying out his responsibility, the President must assure himself that all rules and regulations of the Farm Credit Administration with respect to the affairs of the bank, and all orders and resolutions of the Board of Directors, are carried into effect. It is his duty to report to the Board of

Directors actions taken by the Executive Committee; to render such other reports to the Board as it may require; to keep the Board fully informed through the medium of reports to it concerning all of the affairs of the bank so that the Board may effectively discharge its function; to prescribe the duties of all officers and employees not otherwise provided for by the bank's bylaws or the Board of Directors; and to exercise general control over the employment and proper training of personnel.

EXECUTIVE COMMITTEE \*

Subject to the supervision of the Board of Directors, the Executive Committee is responsible for policy matters affecting the organization and status of national farm loan associations; for authorizing the delegation of responsibility to national farm loan associations and individual officers and employees of the bank for the making and servicing of loans and real

estate and the sale of real estate, including instituting and defending legal actions as well as foreclosure actions relating to mortgages; for authorizing and directing the proper officers of the bank to consummate transactions with the Farm Loan Registrar in connection with the deposit and maintenance of collateral for outstanding bonds.

\*Footnote: In performing its functions with reference to the general structure and operations of national farm loan associations certain responsibilities should be handled by one or more standing committees whose duties would be to assemble and review information and data on each association and report their findings accompanied by recommendations to the Executive Committee for final action. The general subjects which should be handled in this manner are—"Rating of Associations", "Classification of Associations", "Allowances", "Budgets", "Consolidations", "Conservatorships" and "Grouping of Associations". While the major departments should be consulted in appropriate instances, it would seem advisable to establish one central committee which would include a representative of the Secretary, a representative of the Treasurer, the Supervisor of the Association Service Division, and the regional managers as their respective regions are concerned. This committee would be responsible for handling all matters relating to the above subjects in so far as the interests of the bank are concerned. The committee would call upon departments for information and advice as needed. For example, in reviewing information relating to rating associations it would be advisable to obtain information from all departments or divisions which might afford a basis for judgment. In other instances recommendations might be based on information from more limited sources.

### **SECRETARY**

The general responsibilities and duties of the Secretary are similar to those assigned to the Secretary of any corporate organization and, in the land bank system, include certain phases of the corporate activities of national farm loan associations; in addition, they may embrace the performance of certain service activities as indicated in Chart No. 3.



Chart No. 3  
**SECRETARY**

**SECRETARY**

Responsible for maintaining the corporate records of the bank; attends meetings of the Board of Directors and the Executive Committee, keeping official minutes of the actions taken by those bodies and notifying interested divisions, sections or employees of actions taken; has custody of corporate seal, affixes the seal to and otherwise handles correspondence relating to the corporate structure of the

bank; responsible for completing the records relating to legal consolidations, group management setups, conservatorships, and other actions affecting the corporate setup of national farm loan associations; responsible for the supervision of certain service activities as indicated below.

**Minutes**

Prepares and keeps minutes of the bank reflecting records of meetings and actions of the Board of Directors and the Executive Committee; advises all interested departments concerning such actions; certifies official

minutes and attests documents; maintains record and file of land bank bylaws and amendments and transmits them to the Farm Credit Administration for appropriate action.

**Stenographic and Transcription**

Transcribes dictation from cylinders received from the various departments, divisions and sections of the bank; types foreclosure petitions,

form letters, reports, documents and miscellaneous copy work as assigned; furnishes stenographic service to other divisions upon request.

**NFLA Records**

Performs office routines connected with conservatorships, operations under 25(b) and 25(d) of the Farm Credit Act of 1937, legal consolidations and groupings of national farm loan associations; handles other activities affecting the corporate setup of associations; performs clerical work in connection with the classification of associations and maintains classification and rating records; assembles and transmits material to national farm loan association examiners; receives and reviews examination reports and brings them to the attention of interested departments;

maintains records of association charters, territories and officers; notifies all departments of the bank as to changes; maintains file of association bylaws and amendments and transmits them to the Farm Credit Administration for appropriate action; assembles financial and statistical data for use in annual association stockholders' meetings; transmits association resolutions to the Washington office of the Farm Credit Administration.

**Building Maintenance**

Maintains primary data relating to furniture, fixtures, equipment and location of such equipment in the bank; repairs furniture and equipment; disposes of obsolete or surplus equipment and furniture upon proper

approval; supervises moving of equipment; responsible for proper care of the building and custodial services where such services are not furnished by an outside owner of the building.

**Files, Index and Messengers**

Maintains files relating to abstracts, loan applications, and closed loans; maintains records of folder and abstract locations; forwards folders upon receipt of requisitions or other forms of requests.

records to various divisions and sections of the bank; and identifies incoming mail when necessary.

Maintains alphabetical index (and where necessary, numerical index), of applications, closed loans, sales contracts, purchase money mortgages, cross-referenced by names and numbers; provides information from these

Delivers folders to proper destination; picks up folders, requisitions, and recharge slips and delivers them to the Files Section; picks up and delivers mail and inter-office memoranda.

**Transfers**

Performs clerical work connected with transfers of title, changes in name and address on loans and contracts; notifies sections and divisions concerned of changes in ownership or address; notifies secretary-treasurers of changes, notices of which are received from sources other than the association office; notifies secretary-treasurers upon completed transfers

to transfer stock and office records; handles transfers to estates upon death of owners and transfers to new owners when estates are closed; performs clerical service in obtaining assignments of beneficial interest in association stock in favor of FFMC on joint loans.

### **NEW LOANS**

The principal functions and the related activities connected with obtaining new loans are, broadly speaking, the development of sound lending policies and the development of effective methods to be used in making the credit facilities of the bank and Commissioner available to farmers. Under the regional plan of organization the officer responsible for these functions should actively participate in training the regional managers in approved lending policies so that they will be able to discharge adequately their responsibilities as members of the Loan Committee. He should work closely with the Association Service Division so as to make effective the application of loan policies and programs for extending the services of the bank and Commissioner to new borrowers. The responsibility for obtaining appraisals in connection with new loans and partial releases and reappraisals of real estate owned and distressed loans is also included in this group of functions. The administrative officer responsible for these activities will ordinarily be a senior officer of the bank.

Chart No. 4  
NEW LOANS

NEW LOANS

The officer responsible for this function develops and recommends loan policies and programs for extending the services and facilities of the bank and Commissioner to new borrowers and develops policies relating to partial releases; advises with regional managers with respect to activities pertaining to new business and

partial releases; is responsible for obtaining appraisals of applications for loans; cooperates with the reviewing appraiser with respect to appraisal standards and methods and appraisal training programs. He serves primarily as a staff officer.\*

APPRAISALS

(Chief Appraiser)

Supervises the activities of the division; represents the bank on all matters of appraisal for loan applications, foreclosures, real estate owned and partial releases; assists Reviewing Appraiser in selecting and training appraisers and determining that appraisal policies and rules and regulations are followed; makes preliminary reviews of applications for loans to determine the acceptability of the security; reviews applications for partial releases and recommends appraisal if necessary; assigns applications, reappraisals and partial release cases to appraisers; examines, analyzes

and determines adequacy of appraisal reports; reviews and analyzes reports prepared by the Engineering and Platting Section and makes recommendations concerning their adoption; makes recommendations regarding changes in loan policies; collaborates with Association Service Division in the conduct of appraisal review conferences with national farm loan associations; signs all correspondence from the bank directed to field appraisers.

Field Appraisal

Makes appraisals in connection with applications for new loans and partial releases; makes credit investigations; makes reappraisals of real estate owned and in connection with distressed loans; participates in appraisal review conferences and confers

with secretary-treasurers and boards of directors of national farm loan associations on appraisal matters; and prepares reports of all appraisals and reappraisals.

Engineering and Platting

Makes investigations and prepares reports covering financial, economic and physical conditions of irrigation, drainage and special hazard and tax areas; prepares recommendations based upon investigations and studies of such areas as a guide to executive action and formulation of loan policy; reviews all applications,

appraisal and reappraisal reports applying to such areas and prepares analyses for the review of the bank's officers; maintains plat records of previous experience and furnishes plats and maps of farms for use of other divisions of the bank.

Assignment and Records

Transmits loan applications, reappraisals and partial release cases to appraisers in accordance with the instructions of the Chief Appraiser; receives appraisal reports and examines them for completeness and accuracy before referring them to the Chief Ap-

praiser; maintains appraisal and reappraisal assignment and record files; transcribes letters for the signature of the Chief Appraiser and performs other duties as assigned.

CHAIRMAN OF LOAN COMMITTEE

Acts upon loan and partial release applications; acts upon recommendation of amounts to be required and disposition thereof in connection with

partial releases; acts upon requests for reinstatement, reappraisal and cancellation of applications for loans.

\*Footnote: It has been found desirable in some banks to assign qualified personnel to the specialized responsibility of training national farm loan associations in appropriate ways and means for extending the bank's lending facilities to new borrowers. When such a specialist is provided he should be attached to the office of the executive responsible for the new loan function. He should have the responsibility for developing any training activities with respect to new business programs and for coordinating such activities with the bank's general training program. He should cooperate carefully with the supervisor of the Association Service Division and, generally speaking, his work should be primarily with the personnel of that Division, which in turn would carry on the actual training contacts with the associations. Upon occasion, however, he should be expected to provide assistance to particular associations when requested to do so by regional managers.



## ASSOCIATION SERVICE

Under the regional plan of organization, the Association Service Division is responsible for all loan and real estate activities in the bank and in the field, and the development of responsible and well-managed national farm loan associations. In this connection the division is expected to assist national farm loan associations in the development of businesslike methods and procedures for the conduct of the associations' affairs. The supervisor of the division has the administrative responsibility for the efficient operation of the division. While he should work closely with all officers of the bank and attend meetings of the Executive Committee when matters of general interest are being discussed, it is not considered advisable for him to be a member of the Executive Committee. His particular task is to train and supervise the personnel of the division in order that policies may be carried out effectively, and to recommend appropriate changes in the policies and programs of the bank.

A distinction should be made between decision-making jobs and clerical or service jobs. The "Clerical and Records Section" is responsible for clerical work, maintenance of records, the review, for clerical accuracy and completeness, of transactions submitted by associations, and other such work. Such analyses of individual cases as may be needed in arriving at decisions should be made by the regional manager or associate regional manager, or an assistant regional manager, if the volume of such work justifies the employment of such assistants. In order to facilitate supervision and control of the various activities in the division, the clerical work relating to operations is grouped in one section, although individuals or groups of individuals within the section may be assigned special jobs; for example, one group would handle loan closing, another insurance matters, etc.

The regional managers should, by and large, restrict their activity to observing trends with respect to all loan and real estate activities, reviewing the operations of national farm loan associations, and handling those matters on which authority to make final decision has not been delegated to national farm loan associations. It follows that they must have sufficiently broad experience to enable them to exercise sound judgment with reference to the varied questions referred for disposition and they must have sufficient vision to maintain effective

leadership, to command the respect of the associations, and to impress them with the desirability of sound business practice. (The foregoing is equally applicable to the associate regional managers in so far as qualifications are concerned.)

Both the managers and associate managers must be on the alert to see that the associations perform their functions with maximum effectiveness, and that their decisions and recommendations are in accord with the bank's policies. The extent of review of the work of the associations, and the frequency of visits to associations should be dependent upon the quality of the work being performed by associations and the extent to which educational and training work is necessary in order to assure satisfactory results. In any case, neither a regional manager nor an associate regional manager is expected to assume the responsibilities of the associations or to indulge in practices which might be interpreted as unnecessarily restricting the activities of the associations. Otherwise, the decentralization program might be impaired in that the associations might lean too heavily upon the representatives of the bank.

The supervisor of the division is administratively responsible for all activities in the division and should check the work of the division on a selective basis to the extent necessary for him to determine the quality of work being performed. Accordingly a regional manager is administratively responsible to the supervisor. This line of responsibility and authority should not operate to limit direct contact between the officers of the bank and the managers. Regional managers should be encouraged to bring difficult problems directly to the officers concerned for discussion and advice, and the officers responsible for the various functions should take an active part in training the managers. In other words, it should not be necessary for a regional manager to approach an executive officer through the supervisor's office, nor should it be required that all actions taken by a regional manager be routed through the supervisor's office for clearance. Thus, while the division is administratively responsible to the president of the bank, this plan of organization should operate to facilitate contacts between the managers and the various officers of the bank, especially those officers most directly concerned with matters such as new loans, loan servicing, etc.



Chart No. 5

ASSOCIATION SERVICE

ASSOCIATION SERVICE DIVISION

(Supervisor)

Is administratively responsible directly to the President of the bank, for the proper execution of the Association Service Division's activities both in the bank and in the field. Initiates and maintains procedures to insure the efficient performance of the duties assigned to personnel of the division. Keeps informed as to the loan and real estate servicing, collection and real estate sales policies established by the bank, Commissioner, and Federal Farm Mortgage Corporation, and on the basis of this information instructs the personnel of the division as to their duties and as to general policies to be followed by them. Checks and reviews the quality and

volume of work of division personnel and through them, the work of association personnel. Makes reports and recommendations to the Executive Committee regarding the progress and efficiency of secretary-treasurers and other personnel of associations. Renders periodic or special operating reports as required by the President. Coordinates the work of the Association Service Division with other divisions of the bank and with other Government agencies engaged in agricultural activities. Performs such other duties as the President may prescribe.

REGIONAL MANAGER\*

Under the direction of the supervisor of the Association Service Division as to administrative matters, and the direction of members of the Executive Committee as to matters of policy, is responsible for the effective functioning of the loan and real estate servicing, real estate sales, and collection activities in a prescribed area of a Federal land bank district with respect to both Federal land bank and Commissioner loans. Keeps informed on collection activities and trends, including analyses of a sufficient number of forbearance cases to determine quality of work being performed. Reviews, for conformity with bank policy, applications for new loans and partial releases, and as a member of loan committee recommends acceptance or rejection. Observes loan application trends, noting particularly volume maintained, ratio of approvals to rejections, average time required to close loans, promptness and manner of disbursing loan funds, volume being paid in full, etc., and through advice to the association or recommendation to members of the Executive Committee, takes whatever steps he considers necessary in order that necessary improvements may be effected. Reviews and recommends acceptance or rejection of individual cases of subordinations, reamortizations, foreclos-

ures, offers to deed, cancellations, reinstatements, and various other such actions. Observes relationships existing between associations in his area and other Government agencies engaged in farm servicing work, directing an associate regional manager in methods of improvement or making appropriate recommendations to the Executive Committee. Makes necessary studies and analyses and generally directs the activities of an associate regional manager, coordinating his own efforts with those of the latter in developing associations capable of effectively performing their allotted functions and, where changes are deemed necessary, assembling supporting data for making recommendations to the Executive Committee. Makes a sufficient number of field calls each year to familiarize himself with association personnel and general field problems, attending various association directors' meetings and stockholders' meetings. Makes such reports to the supervisor of the Association Service Division or Executive Committee, or members thereof, as are required. Performs such other tasks as may be assigned to him from time to time and assumes such other authority as may be delegated to him.

Associate Regional Manager\*\*

As a field representative of the Federal Land Bank in a prescribed area, under the direction of the Regional Manager, is responsible for determining whether activities of the national farm loan associations in his area in connection with servicing work performed for the bank and Federal Farm Mortgage Corporation are in accord with policies and regulations of the bank and the Farm Credit Administration and that proper emphasis is accorded each of the various functions performed. Keeps the Regional Manager informed as to these activities through appropriate reports and makes recommendations where necessary. Counsels and advises with association directors and secretary-treasurers regarding association operations; assists the associations in keeping informed on current land values and approved farming practices; encourages satisfactory and beneficial relationships between the associations and Government agencies engaged in agricultural activities. Makes recommendations regarding association budgets and reviews association office records to determine budget compliance and any need for special accounting assistance. Assists the Regional Manager and other bank officials in devising legal consolidations of associations and desirable changes in the field grouping pattern. Reviews such portion of association records, delinquent account statements, progress reports, loan applications, forbearance cases, etc., as is necessary to determine the quality of

work performed; also reviews such portion of the operating practices involving the leasing of farms owned, the handling of reamortizations, sales program, tax problems, repair projects, etc., as is necessary to determine the quality of work performed; makes appropriate reports to the Regional Manager where the work of an association is considered to be unsatisfactory and, when authorized in specific cases to do so, discusses such situations with the boards of the associations involved, with the view of obtaining corrective action. In areas where associations are not acting because of unsatisfactory management, or other reasons, acts as field representative of the bank. (Where association work is classified between passable and satisfactory, the frequency of association calls and the extent to which the association activities are reviewed is governed largely by the need of training work for those individual association offices.) In cases of probable or contemplated foreclosure emanating from selected offices, determines if all efforts to reinstate or continue the loans have been made, that resulting foreclosure recommendations are warranted, and that the information given the bank is complete in all details. Studies adequacy of association personnel and makes appropriate recommendations. Performs such other tasks as may be assigned to him from time to time and assumes such other authority as may be delegated to him.

Assistant Regional Manager\*\*\*

Under the general supervision of the Regional Manager, reviews and initially determines the method of handling all but the most difficult or important cases and problems referred to the unit for consideration. Confers with the Regional Manager regarding the most difficult and important cases and problems and individually makes such studies as the Regional Manager may request, and for the purpose of saving his time, prepares the cases and problems for final consideration by the bank. Reviews reports

submitted by associate regional managers, discusses the facts and recommendations contained in them with the Regional Manager, and takes such steps as are necessary to put the accepted recommendations into effect or to bring them before the officials who are to act on them. Occasionally substitutes for or assists associate regional managers in their field activities, and in the absence of the Regional Manager assumes his duties and responsibilities, except that of loan committeeman.

CLERICAL AND RECORDS SECTION

Performs clerical work and maintains necessary records in connection with the operations of the Association Service Division including: loan closings, reinstatements, cancellations, easements, and partial releases; makes preliminary review of loan applications; obtains acceptance, abstracts, and other necessary documents; prepares correspondence with secretary-treasurers and applicants; and determines that attorneys' requirements have been met. Performs all clerical work and maintains necessary records in connection with loan servicing, real estate servicing, and real estate sales; performs clerical work in connection with development of allowances plans for national farm loan associations. Checks insurance

policies on new loans for acceptability and compliance with requirements; maintains necessary files of insurance records; prepares for the regional managers' signatures correspondence relating to insurance and the collection and disbursement of insurance proceeds; keeps regional managers fully informed as to the status of insurance on loans in force; maintains necessary tax records other than those maintained in tabulating; arranges for tax search; checks tax receipts on bank- and Corporation-owned properties; checks county tax sale lists when necessary; and prepares reports for benefit of regional managers on tax status of loans and real estate owned.

\*Footnote: Depending upon circumstances, especially the methods of operation of particular banks, regional managers may substitute for one another as members of the Loan Committee, or associate regional managers may be authorized to substitute for their respective regional managers on such committee, or, in exceptional circumstances, the Assistant Regional Manager may act as such substitute.

\*\*Footnote: When considerable training and other field work remains to be done, the incumbent of this position might appropriately be assigned to field headquarters. In such cases, the specific location of the headquarters will be determined by the requirements of the territory.

\*\*\*Footnote: Assistant regional managers should be provided only when the work to be performed by the regional units makes such position necessary.

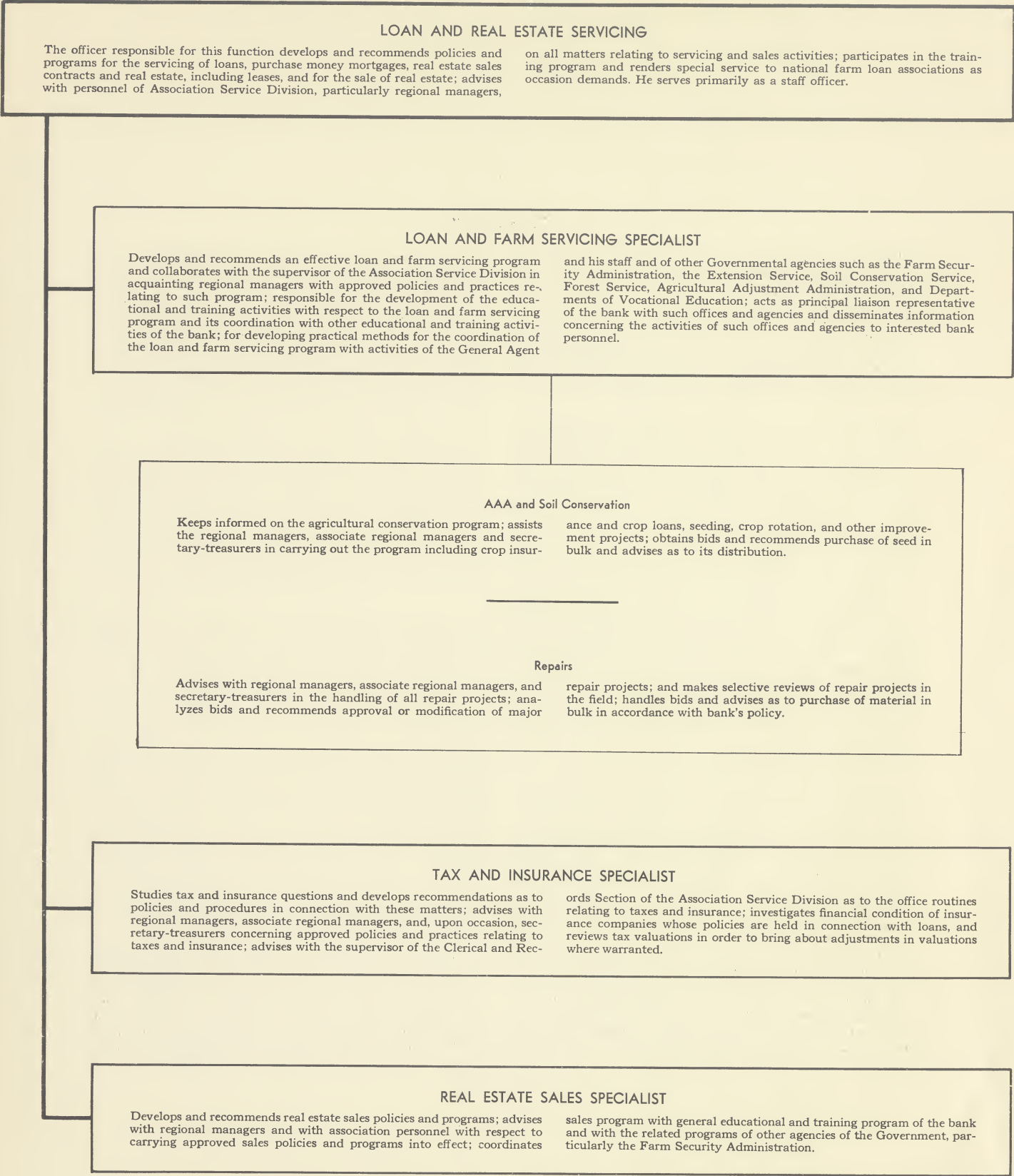
### **LOAN AND REAL ESTATE SERVICING**

This function consists primarily of the responsibility for developing and recommending sound policies and programs for the servicing of loans, purchase money mortgages, real estate sales contracts, and real estate, including leases, and for the sale of real estate. The officer responsible for this function should advise with personnel of the Association Service Division, particularly regional managers, on all matters relating to loan and real estate servicing activities and should actively participate in training the personnel of such division with respect to the function for which he is responsible. He should render special service to national farm loan associations as occasion demands; he should have such assistants, trained in specialized activities, as the circumstances justify. In appropriate circumstances, such assistants might consist of a loan and farm servicing specialist to assist in developing the loan and farm servicing program, a real estate sales specialist to assist in developing real estate sales programs and a tax and insurance specialist to handle tax and insurance problems. All such assistants should collaborate carefully with the supervisor of the Association Service Division in working with the personnel of such division on all matters within the scope of the responsibility of such assistants and should be available for special assignments in the field upon request of regional managers. Due to their specialized training and responsibility they should be expected to take an active part in training regional managers and associate regional managers with respect to matters for which the respective assistants are responsible. One of their principal responsibilities should be the study of problems within their respective fields as a basis for making recommendations to their superior as to policy and the best means of executing established policies.



Chart No. 6

LOAN AND REAL ESTATE SERVICING



**Footnote:** Ordinarily it would seem that the responsibility for the development of real estate sales policy should be included as a part of the loan and real estate servicing function; however, there may be cases where the size and complexity of the real estate problem, or other considerations, are such as to make it desirable or expedient that the responsibility for the development of real estate sales policy be assigned to an officer as a single responsibility or combined with some other function. For example, where circumstances justify it, there would seem to be no objection to one executive officer having the responsibility for new business and real estate sales policy, since in either event the responsibility for the actual sales effort under the decentralized plan of operation is vested in the national farm loan associations and the Association Service Division. The real estate sales specialist would, of course, be responsible to the executive officer in charge of the sales function.

## TREASURER

The responsibilities of the Treasurer include two broad functions. The first responsibility is for the performance of the required fiscal operations and maintenance of the books and other accounting records of the bank which includes recording transactions and furnishing appropriate information to those concerned in the bank and associations with respect to specific transactions or groups of transactions as needed. The second broad function is to aid the President in the administration of the bank's affairs through the development of budgetary and operating procedures.

The maintenance of accounting and related records and the recording of the many routine transactions required to reflect properly the daily activities of the bank, as they occur, in an accurate and adequate manner is essential to the proper functioning of the bank. Almost every action which the bank takes is ultimately recorded in one manner or another in its accounting records. Those engaged in the making and servicing of loans, the servicing and sale of real estate, etc., depend upon information reflected by these records in much of their work. Along with the responsibility for the proper performance of this phase of the work, there is the further responsibility of ascertaining that the interests of the bank are properly safeguarded in the receipt and disbursement of funds and the custody of negotiable or valuable documents. Procedures and methods must be carefully planned and must be executed with a high degree of precision. Further, if transactions are to be recorded promptly and accurately, adequate information with respect to such transactions must be obtained from national farm loan associations and the division or office in the bank which originates them. This necessitates close coordination and proper liaison arrangements between the employees responsible to the Treasurer and others concerned.

Because of the importance of the foregoing functions, it is essential that the Treasurer's staff have a working knowledge of the operating procedures followed in other departments of the bank and in the field in order properly to discharge its responsibilities. This situation coupled with the responsibilities of the Treasurer as budget officer points toward the advisability of delegating to the Treasurer the responsibility for procedure work. However, such an arrangement is not intended to lessen the responsibility of other administrative officers to initiate appropriate changes in connection with the functions which they supervise. In performing such work as a service to the entire bank, close collaboration with the administrative personnel responsible for the various functions involved is essential. In general, procedure studies should be joint undertakings with the other administrative units of the bank. The procedure function should include furnishing technical assistance and guidance for the purpose of bringing about maximum efficiency

and economy. A broad over-all bank viewpoint on the part of those performing and supervising procedure work, as well as complete familiarity with the bank's policies and objectives, is essential. Through the performance of such work, a substantial portion of the responsibilities of the Treasurer, as budget officer, can be accomplished simultaneously insofar as control over operating expenses is concerned. As this work is designed to aid the President, as chief executive officer, in administering the affairs of the bank, it should be coordinated with the development of new programs, the shift in emphasis of prevailing programs and other significant changes in policies and operations.

It is to be noted that all of the functions described above are applicable to operations in the field as well as in the bank. It is the specific responsibility of the Treasurer to prescribe accounting and fiscal procedures for national farm loan associations. However, in view of the responsibilities of the Association Service Division, procedure studies involving the operations of national farm loan association offices should be carried out in collaboration with that division observing essentially the same relationship as that maintained with all departments in connection with internal operations.

In order to obtain adequate internal control and effective supervision, the functions for which the Treasurer is responsible should be organized by activities. The major activities are described in Chart No. 7. The responsibilities comprising these major activities should be further divided by the grouping of the employees performing similar and related tasks into organizational units for supervisory purposes; for example, all cash application work should be centralized. The usual segregations of the work into organizational units is reflected by the groupings shown in the chart. The designation of supervisory responsibilities in connection with activities will depend upon the size of the task and the work methods followed. Groups of employees performing one or more activities may properly be made responsible to one supervisor if the work load permits; for example, in those banks where the real estate inventory is not great, it may be desirable to place real estate accounting under the supervision of an employee who will also supervise some other activity, such as general books or individual accounts. Under such a plan, the number of key supervisors will vary according to the problems and work load involved.

In carrying out his duties and responsibilities it is incumbent upon the Treasurer to avail himself to the fullest extent of established facilities. For example, he should utilize the services of the District Comptroller where accounting, fiscal and organizational problems are involved. Similarly, the services of the District Director of Research should be utilized in the analysis and interpretation of data where appropriate.



TREASURER

Responsible for accounting and fiscal operations (in field and office), including the development of adequate safeguards; with collaboration of other administrative personnel, responsible for the development of economical and efficient operating practices and procedures (in field and office), which will effectively further the bank's policies and objectives; prepares annual budget in conjunction with other officers and reviews consequential expenditures for compliance with approved budget; responsible for development of proposed fiscal policies and execution of approved programs, such as cash requirements, financing and investment programs, reserve program and collateral requirements; responsible for

preparation of regular or special reports required by the Executive Committee, the Board of Directors, or Farm Credit Administration; interprets balance sheets and financial reports for the benefit of the Directors and the Executive Committee; responsible for compliance with requirements of the Federal Farm Loan Act and its amendments, the Manual for Federal Land Banks, and other bulletins issued by the Farm Credit Administration in Washington applicable to his functions; cooperates with the District Comptroller in the development and maintenance of the internal audit program; responsible for custody of unpledged assets.

ACCOUNTING

Under the supervision of the Treasurer, performs the accounting functions of the bank; maintains accounts in conformity with charts of accounts prescribed for the land banks and the Corporation; responsible for cost records and reports, and the preparation of reimbursement vouchers in connection with amounts due from the Corporation; provides

adequate records and reports for loan servicing purposes and other comparable operations; prepares analyses of operations as directed by the Treasurer; participates in national farm loan association accounting program and related activities.

General Books

Maintains general and special ledgers, and responsible for the mortgage loan and accrued interest controls, subsidiary ledgers on securities and the bank's participation in consolidated farm loan bonds; maintains records in connection with NFLA compensation; maintains records and prepares claims for interest reduction; prepares daily trial balances; originates journal entries other

than those involving cash, mortgage loan and real estate transactions; prepares financial and statistical reports; obtains reimbursement from FFMC for new LBC loans made and for capital advances made for the FFMC; prepares account current with respect to FFMC.

Pre-audit and Cost

Audits all expense reports and invoices for propriety, accuracy, etc., and disbursement orders for proper authorization, accuracy of amounts, and account classification; audits new loan disbursement authorizations; responsible for expense ledger and cost rec-

ords; renders cost reports as requested; prepares reimbursement vouchers to FFMC for services rendered; originates bills to other units; maintains inventory of bank-owned automobiles and expense records in connection therewith; verifies payroll.

Individual Accounts

Responsible for accounting in connection with indebtedness of borrowers, purchasers, and others (mortgage loans, purchase money mortgages, real estate sales contracts, notes receivable, local correspondents, salesmen, miscellaneous accounts due from others, trust accounts, etc.), and maintains detailed records other than punch cards; prepares status statements required by other

departments of the bank in connection with releases, special payments on principal, loans to be foreclosed, etc.; prepares correspondence with borrowers, purchasers, and others regarding accounting matters; originates entries in connection with transfers to loans called for foreclosure, voluntary deeds, refinanced loans, reamortizations, maturity date changes, etc.

Real Estate Accounting

Responsible for accounting records in connection with loans called for foreclosure, Commissioner loans in suspense, and real estate owned; prepares investment and analysis statements; reviews field reports to determine that crop proceeds, etc., have been properly accounted for; originates entries to record transfers

from loans called for foreclosure to real estate, reinstatements, real estate sales, and real estate charged off; maintains records in connection with capital stock proceeds withheld and originates entries for application of such proceeds; responsible for NFLA indemnity account records.

Tabulating-Cash Application

Prepares various statements of account to borrowers, purchasers and tenants; prepares cash receipts, cash disbursements and general journals; prepares accountability reports on liquidation of pledged and unpledged loans for Fiscal; maintains all punch card and statement files comprising detail of accounts with borrowers, purchasers, tenants, and other punch card records of the bank; receives cash advices and related correspondence from Fiscal and makes application thereof to borrowers', purchasers' and tenants'

accounts or gives other credit as case may require; originates entries on loans paid in full, application of special principal payments, application of funds held in trust, deferments, etc.; originates entries in connection with the setting up of maturing installments; maintains inventory record of furniture and fixtures; furnishes data for certain reports required by the bank and the Farm Credit Administration; furnishes tabulating service to District Director of Research.

Association Accounting

Prescribes association accounting and fiscal procedures; collaborates with the Association Service Division in rendering assistance, where needed, in the field with respect to such procedures; collaborates with Association Service Division and Procedures in

development of efficient and economical office operations. (Depending upon the size of the task involved, key personnel may be used for this work in addition to their usual responsibilities.)

FISCAL

Under the supervision of the Treasurer, performs the fiscal functions of the bank, including certain miscellaneous activities, such as investment of associations' funds, redemption of called bonds, etc.; prepares estimates

of cash receipts and disbursements; performs such other duties as may be assigned by the Treasurer; also handles incoming and outgoing mail.

Cash Receipts

Opens mail, segregating non-cash mail, and makes initial recording of all incoming cash; retains cash or cash items and delivers remittance statements, etc., with incoming correspondence to Accounting for application to proper accounts; makes daily deposits of cash receipts determined to be eligible for deposit; holds

non-bankable items, dishonored checks, other undeposited receipts, and petty cash; prepares journal entries in connection with cash receipts and related transactions; accepts and receipts for over-the-counter remittances; registers new loan, partial release, and reamortization applications.

Cash Disbursements

Prepares checks for all expenses, advances for borrowers' accounts, operation and maintenance of real estate, loan proceeds, etc., from disbursement orders approved by Accounting; signs

and protects all checks, encloses checks for mailing or distributes same in accordance with disbursing instructions.

Custodianship and Collateral

Has custody of all unpledged notes, real estate mortgages, contracts, bonds, etc., and maintains records in connection therewith; has responsibility for bank's financial stationery and releases same on proper requisition; maintains record of pledged collateral; makes assignments and withdrawals in connection with transactions with Registrar; initiates transactions with all

pledgees for accountability with respect to pledged collateral; makes necessary endorsements on unpledged notes, etc.; files applications for new bond issues with the Registrar; makes reports on pledged and unpledged assets; handles releases on paid-in-full loans.

Mail

Collects mail at post office; sorts and distributes non-cash mail; refers mail requiring identification to Index; refers appropriate mail to Files for association with folders; and directs other mail

to proper destination. Receives all outgoing mail; inserts mail in envelopes, seals and stamps; forwards mail as addressed to respective fieldmen, appraisers, and associations.

PROCEDURES

Under the supervision of the Treasurer, makes studies of operating procedures, as needed, in collaboration with other administrative personnel assigned for the purpose and makes recommendations in connection therewith; reviews all forms prior to adoption or reprinting; assists Asso-

ciation Service Division in the study of national farm loan association operations; prepares or assists in preparing organization charts and procedure manuals; performs such other duties as may be assigned by the Treasurer.

### **PRESIDENT'S OFFICE**

As chief executive officer of the bank, the President must depend largely upon the senior officers and division supervisors for the proper administration of the business and affairs of the bank. Because of the multiplicity of operations in a Federal land bank the President cannot be in close touch with the daily routine of operations. Good administration at the top of any organization involves the development of an adequately trained personnel, thoroughly familiar with the objectives of the program and eager to accomplish those aims in the most effective and efficient manner. This means cooperation among employees and proper coordination of activities, as well as carefully planned delegation of responsibility and authority. In building an efficient organization the administrator must seek to establish an orderly and continuous effort on the part of each employee to do his work in a manner that will best accomplish the aim and purpose of the group of which he is a part. To accomplish these aims and to render intelligent service through the organization, it is necessary that employees have full knowledge of their duties and the operations for which they are responsible. Likewise, it is highly desirable that they know the organization, its structure, its policies, its purposes and its public relationships.

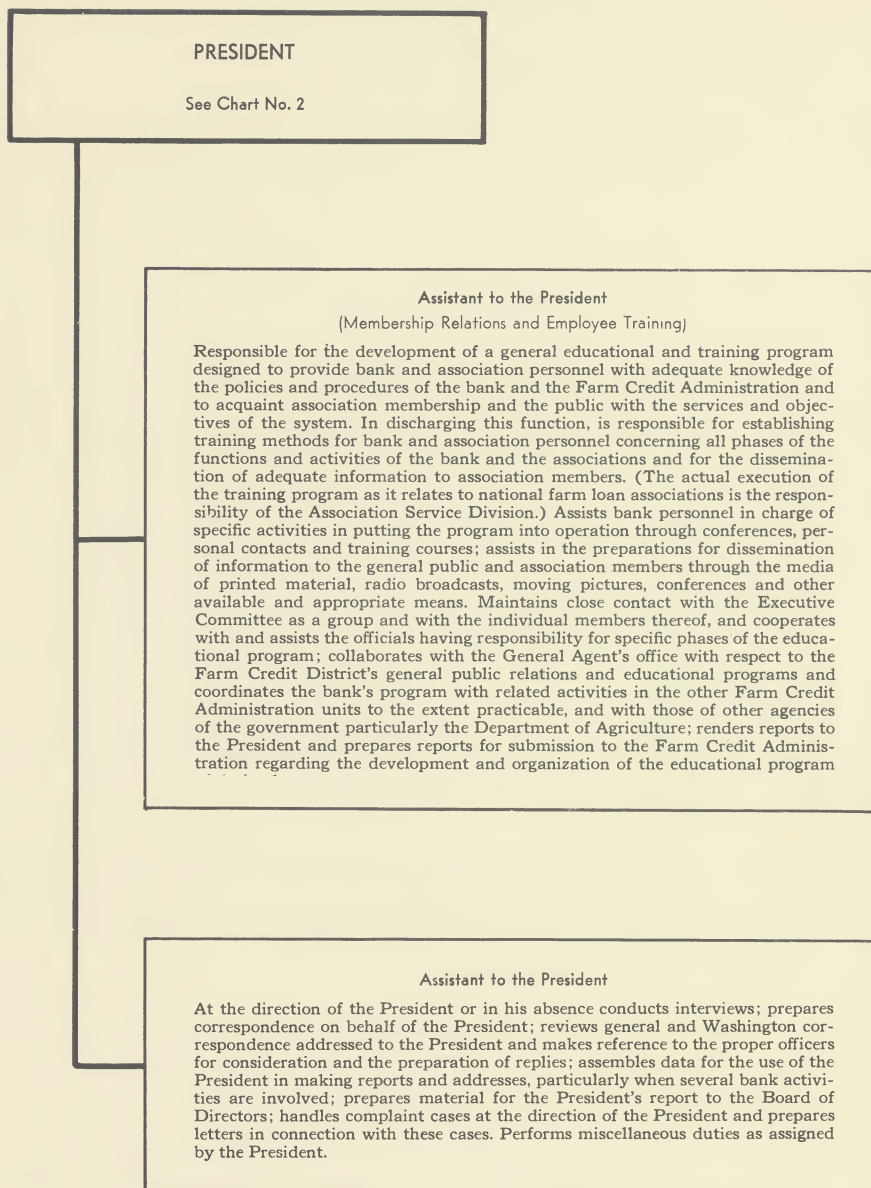
Because of the importance of the training program and the primary responsibility of the President in develop-

ing a trained personnel, this function is located in the President's office. The Assistant to the President directly responsible for membership relations, employees' training and public relations must necessarily deal with all the officers and personnel of the organization in order to formulate a well coordinated and all inclusive program. While much commendable work has been done at various points in the land banks in training personnel and in acquainting the borrowers and general public of the purposes of the banks through supervision, conferences, meetings and other devices, nevertheless, it seems clear that better results can be accomplished through a closely coordinated program which encompasses the needs of the entire organization and guides the emphasis on various phases of the program in terms of these over-all needs. The specific duties related to the education and training function are briefly outlined in the accompanying chart No. 8.

In some banks it will no doubt be advisable to have another Assistant to the President upon whom the President can depend for assistance in the handling of details and matters which may not be directly related to the functions of any particular officer of the bank. A suggested list of duties of this Assistant to the President is also listed in the accompanying chart.



Chart No. 8  
**PRESIDENT'S OFFICE**



### NATIONAL FARM LOAN ASSOCIATIONS

In addition to its statutory responsibility arising from its endorsement of loans made through it, the national farm loan association, when authorized by the Federal Land Bank, is responsible for the acquisition of new business, the complete local servicing of the assets of the bank and Federal Farm Mortgage Corporation assigned to it for servicing, and the sale of acquired real estate. The association's responsibility in these matters rests upon the Board of Directors and it is the duty of the Board to see to it that those responsibilities are properly and effectively discharged. In order for it adequately to carry out its duties the Board must employ qualified association personnel, particularly the secretary-treasurer, who with such assistance as is necessary carries on the day to day operations of the association and for the most part performs the servicing work required to be done. Routine association affairs, and ordinarily most of the loan servicing and real estate matters, are handled by the secretary-treasurer or other association personnel without prior reference to the Board of Directors, but the Directors, through reports to them by the secretary-treasurer and through the medium of business review and other meetings, should assure themselves that the association employees are performing their duties in a satisfactory manner and in accordance with established policies. The secretary-treasurer should ordinarily consult with the Board of Directors concerning the more difficult and involved individual cases.

While ordinarily the secretary-treasurer would contribute materially to the fiscal program of the association, including certain work in connection with the preparation of the budget, the primary responsibility therefor rests with the Board of Directors and it should keep a watch on the association's fiscal affairs so that its budget is kept within reasonable limits and to see that its resources otherwise are being properly utilized.



Chart No. 9

NATIONAL FARM LOAN ASSOCIATIONS

BOARD OF DIRECTORS

Under general supervision of Farm Credit Administration has general control and direction of association affairs; provides for association's quarters and office equipment; fixes compensation of the secretary-treasurer and other association employees; authorizes all other operating expenses; designates association depository and controls disbursements and investments of association funds; authorizes assumption and discharge of all debts, contracts, and engagements entered into by the association.

Elects president, vice president, secretary-treasurer, members and alternate members of loan committee, members to fill vacancies on the board pending election by shareholders, and admits new members to the association; appoints or discharges officers and employees; casts ballot on behalf of the association for the nomination and election of certain members of the Farm Credit Board of the district; fixes duties and responsibilities of officers and employees; develops budget for association.

Maintains check on the proper maintenance of association office, equipment, books, and records; reviews and passes upon association expenses, and reports

rendered by the secretary-treasurer pertaining to the operations and financial condition of the association.

Passes upon applications for loans, requests for the assumption of mortgage and stock interest, and applications for partial releases.

Counsels, advises and assists secretary-treasurer in the performance of all his duties in connection with the business of the bank, Commissioner, Federal Farm Mortgage Corporation, or association, as the case may be, and in the more difficult problem cases determines action to be taken and treatment to be accorded the loan or other item; makes recommendation to the bank with respect to foreclosures and real estate sales.

Promotes association activities in community; fosters and participates in educational programs and farm programs of other agricultural agencies; takes appropriate action on recommendations arising out of examinations by the Farm Credit examiners.

Secretary-Treasurer

Manages association office and supervises association employees; maintains books, records, and accounts; acts as custodian of funds, and deposits such funds in bank designated by directors; acts as custodian of securities and records; pays association expenses and obligations authorized by directors; prepares and submits reports required by the directors, Federal land bank, and Farm Credit Administration; complies with instructions, rules, and regulations of the Farm Credit Administration.

Keeps minutes of directors' and stockholders' meetings; endorses mortgages in behalf of the association; purchases and pledges as collateral security bank stock in connection with loans endorsed by the association; investigates security and applicant when designated as Investigator for the loan committee; contacts, consults, and advises applicants for loans; accepts and submits loan applications for action of the association and the bank; assists in closing loans and making disbursements of proceeds; and determines that the proceeds of loans are properly disbursed.

Responsible for proper and effective servicing of endorsed loans and other items assigned for servicing to the association and for the sale of real estate, in accordance with established policies; advises and consults with the board of directors concerning the more difficult and involved delinquent loan and real estate problem cases; reports tax delinquencies and assessments to the Federal land bank; assists borrowers in working out credit problems and developing proper farm practices; keeps directors informed on all phases of association operations including expenses, financial condition and loan servicing and real estate functions.

Maintains cooperative relationship with member borrowers, general public, Federal land bank and other agricultural agencies; keeps informed on provisions of Federal Farm Loan Act, rules and regulations issued by the Farm Credit Administration and instructions of the Federal land bank.

Loan Committee

Appraises, or causes to be personally appraised by an investigator selected by it, all land and permanent improvements offered by an applicant as security for a loan; investigates the character and solvency of the appli-

cant; submits a written report and recommendation to the board of directors upon each investigation; may function in similar manner on applications for partial release.

Investigator





